



401(k) Small Business Financing™
Buy a business or franchise with your retirement funds.
No tax penalties!

6 Tips for Getting Small Business Loans Now





Published on: Monday, November 24, 2008
Written by: Hazel Becker

★★★★★
Click a star to rate.

With the economy in the tank and credit tighter than most living folks can remember, entrepreneurs are puzzling about where to find the capital to start or expand their small businesses. Businesses throughout the United States continue to find lenders to meet their immediate financing needs. Here are some tips for where to look for small business financing in the current economic environment.

Tip # 1 - Don't rule out the 'usual suspects'

With all the talk about how [cuts in Small Business Administration lending](#) last year, some business owners aren't wasting their time applying. But those reports were based mainly on the SBA's 7(a) loans, which can be as large as \$2 million for the SBA-guaranteed portion of the loan. Businesses with more modest needs—for a loan of \$35,000 or less—might be able to get an SBA microloan, according to Sam Thacker, a small business finance consultant with Business Finance Solutions and columnist on AllBusiness.com. "For a business that can put this amount of money to good use, there are plenty of lenders making these loans," Thacker wrote in his [November 12 column](#), which offers suggestions about how to apply.

-  SHARE
-  RSS
-  PRINT
-  E-MAIL
-  COMMENTS



Home equity lending has increased in the last year

Another possible source of cash may be the equity in your home. Despite some reports of home equity loans and lines of credit drying up, the Federal Reserve reported November 14 that in October home equity lending was up 7 percent over September and up 21 percent over October 2007. Apparently it's not out of the question—depending on your circumstances. (Note, however, that some business and consumer advocates don't recommend using home equity to finance a business. You'll want to discuss it with your own advisers before taking this step.)

Lastly, [Self-directed IRAs](#) allow entrepreneurs to tap their retirement

funds tax free to fund a business.

Tip # 2 - Look close to home

Businesses that have been working with large money-center banks may have more success now with smaller community banks, according to Ken Easton, a business finance consultant and author of *Surviving Your Business Debt*. While savings banks and community banks have traditionally been viewed as primarily mortgage lenders, "this is no longer true. Many have established commercial lending departments, which can usually respond quicker than the larger commercial bank," he said. Of community banks, he said: "Most have not been adversely affected by problems of the larger banks and they are usually eager to lend within their community."

Joy Manbeck, senior vice president and SBA director for Private Bank of Buckhead in Atlanta, suggests that business owners look for a community bank with a Small Business Lending department and that is a Preferred Lender Participant (PLP) with the SBA. A PLP lender is approved by SBA to make credit and other unilateral decisions and can provide a very quick turn-around on loan requests, she said. "Typically, loans guaranteed by the SBA require a smaller amount of cash injection from borrowers and provide a longer repayment period than conventional bank loans," Manbeck said.

Easton also advises looking at credit unions, some of which offer business loans. "The larger credit unions have established internal business lending departments. They have funds to lend, usually within their larger market areas," he said. "Many companies will find their business loan offerings flexible, and their timing is remarkably quick. Becoming a member, as is required, is usually no problem for the business entity."

Tip # 3 - Consider private lending

FREE NEWSLETTER

Get the latest real estate investment and alternative investment news delivered free via e-mail each week.

Your information will not be shared

E-mail Address...

OTHER ARTICLES

- Paris Real Estate Dives as Credit Crisis Worsens
- SBA Loans: Easier Said Than Done
- Credit Crisis Crunches Costa Rica Construction
- Small Business Loans Decline 30 Percent in 2008
- Brazil Expected to Weather Downturn
- Eastern Europe Sees Credit Rating Drop
- Markets Fall as Fears Rise Worldwide
- LIBOR and the Credit Crisis: Cause and Cure

[...View All Articles](#)

FREESELFDIRECTEDIRA.org

Find out how to get a **FREE checkbook self-directed IRA**

- Buy real estate with IRA and 401(k) funds with checkbook control
- Invest in international real estate, cash flow real estate, vacation properties
- Properties in Mexico, Florida, Arizona, and more

FEATURED ARTICLES

- Self-Directed IRA Diversification
- Nicaragua Real Estate: Navigating the Market
- SBA Loans: Easier Said Than Done
- Buying a Franchise with Retirement Funds
- Spanish Property Investments Flourish
- Italian Real Estate: È Bello!
- Dubai Real Estate: Young Market Needs Disciplined Growth
- Medical Tourism: Seeking Affordable Healthcare Overseas
- Buying HUD Foreclosures: What Investors Should Know
- Gambling on Las Vegas Real Estate
- Steady Growth in Portland Real

"Sometimes the local community is the best place for a loan, especially in these tough times," advises John Duffy, owner of a pet supply store in Bel Air, Md. He obtained a loan through a local lawyer/investor to start up Baron's K-9 Country Store, which sells natural pet foods, treats and gifts.

Valarie Moody turned to [family and friends](#) for loans to start her business a year ago. Today, she sells photo montage DVDs at [www.fodeo.net](#) and believes her company's new digital product will soon replace old-fashioned photo albums and scrapbooks. [Virgin Money](#), a company that manages loans between family and friends, can make the process easier.

For those who don't know someone with spare cash to lend, [peer-to-peer lending sites](#) like Prosper and Lending Club are an option. Those who don't have credit established might consider the new loan auction site, [Loanio](#).

Tip # 4 - Look into alternative lending

One form of alternative lending that has worked out for some owners is an advance based on the company's future receipts. Dr. Gina Gora got a loan from a credit card processing company for her small business, Radiance Medspa of Birmingham, Mich. She said the lender looked at credit card sales for the last six months and will lend up to 125 percent of a month's receipts. These are generally unsecured loans and often don't require a personal guarantee. They can be approved very quickly (in less than a week) and paid back over several months.

Tip # 5 - Take advantage of special programs or circumstances

Many businesses come out of special circumstances, and there are lots of programs aimed at special interest groups.

For example, some members of the military community may qualify for funding through the [Patriot Express Loan Initiative](#), a special SBA program designed to help veterans start or build their own businesses. Loans of up to \$500,000 are available to businesses that are at least 51 percent owned by veterans, active-duty service members eligible for the Transition Assistance Program, reservists and National Guard members, spouses of any of these, and widows of service members or veterans who died in connection with their service.



Businesses owned by veterans, reservists and others are eligible for federal loans

Roseann Higgins's application for a PELI loan was pre-approved the day after she applied for financing to expand her business, SPIES. "The reason this is called Express is, SBA processes these loans FAST," she said. "I always thought SBA would ask for way more paperwork and information than I could easily provide. They did not ask for a Profit & Loss Statement or an Income Statement. They also did not ask for tax returns." Higgins said she had been turned down for a loan two weeks earlier because she missed the credit score by five points, with a lender that would have approved her loan six months earlier. She's paying a little more for the PELI loan than the other lender would have charged, but "much better than 20 percent on a credit card," she said.

The SBA and state development agencies offer other programs to help people in special circumstances. So do foundations and interest groups with specific goals in mind. One such program, Bootstrap Montana, provides no-interest loans to Montana's rural entrepreneurs for projects that will provide fast return on investment. Funds are targeted for projects that have a direct effect on increasing sales. The program's goals include increasing the level of employment in the state, bringing in new sales revenue and increasing the competitiveness of Montana companies. It was founded by Greg Gianforte, CEO of Bozeman-based RightNow Technologies, and is backed by a local family foundation in Bozeman, Mont.

Other special-interest programs are offered by industry associations. For example, Jeff Elgin, CEO of FranChoice, suggests that veterans look into VetFran, a program started by the International Franchise Association as a way to give back to those who have served in the military. More than 300 franchise companies participate and will offer substantial discounts on fees and expenses to those who served in the military, according to Elgin. Another IFA program, MinorityFran, offers incentives such as fee reductions to assist members interested in increasing the number of minorities in franchising.

Tip # 6 - Don't be afraid to ask

Start looking for financing by consulting with your current lenders and bankers—Ken Easton noted that you want to preserve those relationships even if they won't or can't lend to you right now. Then, ask around. You won't find the funding you need if you don't look for it!

Like what you read? Subscribe to our free weekly newsletter:

E-mail Address...

Subscribe

Your information will not be shared

SHARE RSS PRINT E-MAIL COMMENTS

Estate
sponsored by [self directed ira](#) and [small business financing](#) provider Guidant Financial.